



**Government Relations and Public
Affairs Committee**

Meeting Date: 6/11/2018

Agenda Item No.: 2018-June-8.

Subject: Consideration of Senate Bill 3 (Chapter 365, Statutes of 2017), Beall. Veterans and Affordable Housing Bond Act of 2018 (Est. time: 5 minutes)

Action

Prepared by: Christina Lokke

Approved by: Erik Johnson

Attachments: Yes

1. Issue:

Should SACOG take a position on the proposition placed on the November 2018, statewide ballot by Senate Bill (SB) 3 (Chapter 365, Statutes of 2017), Beall. Veterans and Affordable Housing Bond Act of 2018?

2. Recommendation:

That the Government Relations and Public Affairs Committee recommend that the board take a position to support the proposition placed on the November 2018, statewide ballot by SB 3 (Chapter 365, Statutes of 2017), Beall. Veterans and Affordable Housing Bond Act of 2018.

3. Background/Analysis:

SB 3, signed by the Governor last fall, places a housing bond on the November 2018, statewide ballot. The SACOG Board of Directors took a support position on SB 3 as the Legislature negotiated the specific details of the bond. The final version of the bond, as it will appear on the November ballot, authorizes the issuance of \$4 billion in general obligation (GO) bonds for affordable housing programs and a veterans' home ownership program. Specifically, it allocates the bond proceeds to the following existing housing related programs:

\$1.5 billion for the Multifamily Housing Program to assist in the new construction, rehabilitation, and preservation of permanent and transitional rental housing for persons with incomes of up to 60 percent of the area median income.

- \$1.0 billion for the CalVet Home Loan Program to assist veterans in purchasing homes and farms.
- \$300 million for the Infill Incentive Grant Program for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill.
- \$300 million for the Joe Serna, Jr. Farmworker Housing Grant Fund for housing for

agricultural employees and their families.

- \$300 million for the Local Housing Trust Fund Matching Grant Program for affordable housing related grants and loans.
- \$300 million to the CalHome Program for loans to assist development projects involving multiple home ownership units, including single-family subdivisions, for self-help mortgage assistance programs, and for manufactured homes.
- \$150 million to the Transit-Oriented Development Implementation Program to provide local assistance to cities, counties, transit agencies, and developers for the development, or facilitation of development, of higher density uses within close proximity to transit stations that will increase public transit ridership.
- \$150 million to the Self-Help Housing Fund for the home purchase assistance program.

The measure also allows the state Department of Housing and Community Development (HCD) to provide up to \$30,000 annually in technical assistance (per jurisdiction) to counties or cities with a population of 150,000 or less, or developers of affordable housing in those cities and counties, to facilitate the construction of housing for programs funded by the Multifamily Housing Program, Joe Serna Jr. Farmworker Housing Program, and the CalHome Program. HCD may not spend more than \$360,000 in total. Technical assistance includes engineering assistance and environmental review related to an affordable housing project and reimbursement of administrative costs related to developing a grant proposal.

4. Discussion/Analysis:

SACOG previously took a support position on SB 3 as it will provide much-needed funding for cities and counties in the SACOG region and help implement the region's Sustainable Communities Strategy. Furthermore, it is consistent with SACOG's adopted strategy to provide new funding for affordable housing. Since taking a support position, SB 3 was amended to include an additional \$1 billion in authorized bonding authority for the CalVet Home Loan Program and shift the funding allocations among some of the programs. By bonding upfront on capital projects, SB 3 is anticipated to have a statewide economic impact of \$23.4 billion and create 137,000 jobs.

The bond measure has a broad range of support from entities such as the League of California Cities, many individual cities, the Southern California Association of Governments, and numerous housing organizations. While there is currently no formal opposition campaign, SB 3 was opposed by the Howard Jarvis Taxpayers Association, the National Federation of Independent Business, and the Valley Industry and Commerce Association.

Attachment A is the text of the Veterans and Affordable Housing Bond Act of 2018.

5. Fiscal Impact/Grant Information:

This item has no direct fiscal impact.

ATTACHMENTS:

Description

Veterans and Affordable Housing Bond Act of 2018

This staff report aligns with the following SACOG Work Plan Goals:
#3 - Assist Local Economic Development Strategies

Ch. 365
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FILED

in the office of the Secretary of State
of the State of California

SEP 29 2017

At 12:10 O'Clock P. M.

By Nick Pambori
Deputy Secretary of State

Senate Bill No. 3

Passed the Senate September 15, 2017

[Signature]
Secretary of the Senate

Passed the Assembly September 14, 2017

[Signature]
Chief Clerk of the Assembly

Approved SEP 29, 2017

[Signature]
Governor

This bill was received by the Governor this 21st day
of September, 2017, at 5:30 o'clock p. M.

[Signature]
Private Secretary of the Governor

CHAPTER _____

An act to add Part 16 (commencing with Section 54000) to Division 31 of the Health and Safety Code, and to add Article 5z (commencing with Section 998.600) to Chapter 6 of Division 4 of the Military and Veterans Code, relating to housing, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 3, Beall. Veterans and Affordable Housing Bond Act of 2018.

Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time home buyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law and requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks. Existing law, the Veterans' Bond Act of 2008, authorized, for purposes of financing a specified program for farm, home, and mobilehome purchase assistance for veterans, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$900,000,000.

This bill would enact the Veterans and Affordable Housing Bond Act of 2018, which, if adopted, would authorize the issuance of bonds in the amount of \$4,000,000,000 pursuant to the State General Obligation Bond Law. Of the proceeds from the sale of these bonds, \$3,000,000,000 would be used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching grant programs, as provided, and \$1,000,000,000 would be used to provide additional funding for the above-described program for farm, home, and mobilehome purchase assistance for veterans, as provided.

This bill would provide for submission of the bond act to the voters at the November 6, 2018, statewide general election in accordance with specified law.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the Veterans and Affordable Housing Bond Act of 2018.

SEC. 2. The Legislature finds and declares all of the following:

(a) California is experiencing an extreme housing shortage with 2.2 million extremely low income and very low income renter households competing for only 664,000 affordable rental homes. This leaves more than 1.54 million of California's lowest income households without access to affordable housing.

(b) While homelessness across the United States is in an overall decline, homelessness in California is rising. In 2015, California had 115,738 homeless people, which accounted for 21 percent of the nation's homeless population. This is an increase of 1.6 percent from the prior year. California also had the highest rate of unsheltered people, at 64 percent or 73,699 people; the largest numbers of unaccompanied homeless children and youth, at 10,416 people or 28 percent of the national total; the largest number of veterans experiencing homelessness, at 11,311 or 24 percent of the national homeless veteran population; and the second largest number of people in families with chronic patterns of homelessness, at 22,582 or 11 percent of the state's homeless family population.

(c) It is essential to continue funding, which is soon to expire, for housing programs that are necessary to address the housing needs of the large number of veterans and their families living in California.

(d) California is home to 21 of the 30 most expensive rental housing markets in the country, which has had a disproportionate impact on the middle class and the working poor. California requires the third highest wage in the country to afford housing, behind Hawaii and Washington, D.C. The fair market rent, which indicates the amount of money that a given property would require if it were open for leasing, for a two-bedroom apartment is \$1,386. To afford this level of rent and utilities, without paying more than

30 percent of income on housing, a household must earn an hourly “housing wage” of \$26.65 per hour. This means that a person earning minimum wage must work an average of three jobs to pay the rent for a two-bedroom unit. In some areas of the state, these numbers are even higher.

(e) Low-income families are forced to spend more and more of their income on rent, which leaves little else for other basic necessities. Many renters must postpone or forgo home ownership, live in more crowded housing, commute further to work, or, in some cases, choose to live and work elsewhere.

(f) California has seen a significant reduction of state funding in recent years. The funds from Proposition 46 of 2002 and Proposition 1C of 2006, totaling nearly \$5 billion for a variety of affordable housing programs, have been expended. Combined with the loss of redevelopment funds, \$1.5 billion of annual state investment dedicated to housing has been lost, leaving several critical housing programs unfunded.

(g) High housing costs and the shortage of housing stock in California directly affect the future health of California’s economy and, given the staggering numbers indicated above, bold action is necessary. Investment in existing and successful housing programs to expand the state’s housing stock should benefit California’s homeless and low-income earners, as well as some of the state’s most vulnerable populations, including foster and at-risk youth, persons with developmental and physical disabilities, farmworkers, the elderly, single parents with children, and survivors of domestic violence. Investments should also be made in housing for Medi-Cal recipients served through a county’s Section 1115 Waiver Whole Person Care Pilot program and family day care providers.

(h) Investment in housing creates jobs and provides local benefits. The estimated one-year impacts of building 100 rental apartments in a typical local area include \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs or 1.62 jobs per apartment. The additional annually recurring impacts of building 100 rental apartments in a typical local area include \$2.6 million in local income, \$503,000 in taxes and other revenue for local governments, and 44 local jobs or .44 jobs per apartment.

(i) California has 109 federally recognized tribes and 723,000 residents with Native American ancestry, the largest number of

tribes and residents in the United States. Due to historic dislocation and lack of housing choices, most do not live on tribal lands and those who do live in severely substandard, overcrowded homes lacking quality water and sewer services at rates greater than the general population.

SEC. 3. Part 16 (commencing with Section 54000) is added to Division 31 of the Health and Safety Code, to read:

PART 16. VETERANS AND AFFORDABLE HOUSING BOND ACT OF 2018

CHAPTER 1. GENERAL PROVISIONS

54000. Together with Article 5z (commencing with Section 998.600) of Chapter 6 of Division 4 of the Military and Veterans Code, this part shall be known, and may be cited, as the Veterans and Affordable Housing Bond Act of 2018.

54002. As used in this part, the following terms have the following meanings:

(a) “Board” means the Department of Housing and Community Development for programs administered by the department, and the California Housing Finance Agency for programs administered by the agency.

(b) “Committee” means the Housing Finance Committee created pursuant to Section 53524 and continued in existence pursuant to Sections 53548 and 54014.

(c) “Fund” means the Affordable Housing Bond Act Trust Fund of 2018 created pursuant to Section 54006.

54004. This part shall only become operative upon adoption by the voters at the November 6, 2018, statewide general election.

CHAPTER 2. AFFORDABLE HOUSING BOND ACT TRUST FUND OF 2018 AND PROGRAM

54006. The Affordable Housing Bond Act Trust Fund of 2018 is hereby created within the State Treasury. It is the intent of the Legislature that the proceeds of bonds (exclusive of refunding bonds issued pursuant to Section 54026) be deposited in the fund and used to fund the housing-related programs described in this chapter. The proceeds of bonds issued and sold pursuant to this

part for the purposes specified in this chapter shall be allocated in the following manner:

(a) One billion five hundred million dollars (\$1,500,000,000) to be deposited in the Housing Rehabilitation Loan Fund established pursuant to Section 50661. The moneys in the fund shall be used for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, to be expended to assist in the new construction, rehabilitation, and preservation of permanent and transitional rental housing for persons with incomes of up to 60 percent of the area median income (AMI). These funds may also be used to provide technical assistance pursuant to Section 54007.

(b) One hundred fifty million dollars (\$150,000,000) to be deposited into the Transit-Oriented Development Implementation Fund, established pursuant to Section 53561, for expenditure, upon appropriation by the Legislature, pursuant to the Transit-Oriented Development Implementation Program authorized by Part 13 (commencing with Section 53560) to provide local assistance to cities, counties, cities and counties, transit agencies, and developers for the purpose of developing or facilitating the development of higher density uses within close proximity to transit stations that will increase public transit ridership. These funds may also be expended for any authorized purpose of this program and for state incentive programs, including loans and grants, within the department. Any funds not encumbered for the purposes of this subdivision by November 6, 2028, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, unless the Department of Housing and Community Development determines that funds should revert sooner due to diminished demand.

(c) Three hundred million dollars (\$300,000,000) to be deposited in the Regional Planning, Housing, and Infill Incentive Account, which is hereby created within the fund. Moneys in the account shall be available, upon appropriation by the Legislature, pursuant to the Infill Incentive Grant Program of 2007 established by Section 53545.13 for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill, including, but not limited to, any of the following:

- (1) Park creation, development, or rehabilitation to encourage infill development.
- (2) Water, sewer, or other public infrastructure costs associated with infill development.
- (3) Transportation improvements related to infill development projects.
- (4) Traffic mitigation.

These funds may also be expended for any authorized purpose of this program. Any funds not encumbered for the purposes of this subdivision by November 6, 2028, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, unless the Department of Housing and Community Development determines that funds should revert sooner due to diminished demand.

(d) One hundred fifty million dollars (\$150,000,000) to be transferred to the Self-Help Housing Fund established pursuant to Section 50697.1. Notwithstanding Section 13340 of the Government Code and Section 50697.1, these funds are hereby continuously appropriated to the Department of Housing and Community Development without regard to fiscal years, which funds shall be transferred by the department to the California Housing Finance Agency for purposes of the home purchase assistance program established pursuant to Chapter 6.8 (commencing with Section 51341) of Part 3.

(e) Three hundred million dollars (\$300,000,000) to be deposited in the Joe Serna, Jr. Farmworker Housing Grant Fund, established pursuant to Section 50517.5, to fund grants or loans, or both, for local public entities, nonprofit corporations, limited liability companies, and limited partnerships, for the construction or rehabilitation of housing for agricultural employees and their families or for the acquisition of manufactured housing as part of a program to address and remedy the impacts of current and potential displacement of farmworker families from existing labor camps, mobilehome parks, or other housing. These funds may also be expended for any authorized purpose of this program. These funds may also be used to provide technical assistance pursuant to Section 54007. Any funds not encumbered for the purposes of this subdivision by November 6, 2028, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, unless the Department

of Housing and Community Development determines that funds should revert sooner due to diminished demand.

(f) Three hundred million dollars (\$300,000,000) to be deposited in the Affordable Housing Innovation Fund established pursuant to subparagraph (F) of paragraph (1) of subdivision (a) of Section 53545. Moneys in the fund shall be available, upon appropriation by the Legislature, pursuant to the Local Housing Trust Fund Matching Grant Program established by Section 50842.2 to fund competitive grants or loans to local housing trust funds that develop, own, lend, or invest in affordable housing and used to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing. Local housing trust funds shall be derived on an ongoing basis from private contribution or governmental sources that are not otherwise restricted in use for housing programs. These funds may also be expended for any authorized purpose of this program. Any funds not encumbered for the purposes of this subdivision by November 6, 2028, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, unless the Department of Housing and Community Development determines that funds should revert sooner due to diminished demand.

(g) Three hundred million dollars (\$300,000,000) to be deposited in the Self-Help Housing Fund established pursuant to Section 50697.1. The moneys in the fund shall be available for the CalHome Program authorized by Chapter 6 (commencing with Section 50650) of Part 2, to provide direct, forgivable loans to assist development projects involving multiple home ownership units, including single-family subdivisions, for self-help mortgage assistance programs, and for manufactured homes. These funds may also be expended for any authorized purpose of this program. At least thirty million dollars (\$30,000,000) of the amount deposited in the Self-Help Housing Fund shall be used to provide grants or forgivable loans to assist in the rehabilitation or replacement, or both, of existing mobilehomes located in a mobilehome or manufactured home community. These funds may also be used to provide technical assistance pursuant to Section 54007. Any funds not encumbered for the purposes of this subdivision by November 6, 2028, shall revert for general use in the Multifamily Housing Program authorized by Chapter 6.7

(commencing with Section 50675) of Part 2, unless the Department of Housing and Community Development determines that funds should revert sooner due to diminished demand.

54007. (a) (1) Notwithstanding any other provision of this part, the Department of Housing and Community Development may provide technical assistance to eligible counties and eligible cities, or developers of affordable housing within eligible counties and eligible cities, to facilitate the construction of housing for the target populations for the following programs funded pursuant to this part:

(A) The Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2).

(B) The Joe Serna, Jr. Farmworker Housing Grant Program (Chapter 3.2 (commencing with Section 50515.2) of Part 2).

(C) The CalHome Program (Chapter 6 (commencing with Section 50650) of Part 2).

(2) Technical assistance pursuant to this section shall be provided using the bond proceeds allocated pursuant to Section 54006 to the program for which the technical assistance is provided.

(3) The Department of Housing and Community Development shall not provide more than three hundred sixty thousand dollars (\$360,000) total in technical assistance pursuant to this section, and an eligible county or eligible city shall not receive more than thirty thousand dollars (\$30,000) in technical assistance annually.

(b) For purposes of this section, the following definitions shall apply:

(1) "Eligible city" means a city that is located within a county with a population of 150,000 residents or fewer.

(2) "Eligible county" means a county with a population of 150,000 residents or fewer.

(3) "Technical assistance" includes engineering assistance and environmental review related to an affordable housing project and reimbursement of administrative costs related to developing a grant proposal.

54008. (a) The Legislature may, from time to time, amend any law related to programs to which funds are, or have been, allocated pursuant to this chapter for the purposes of improving the efficiency and effectiveness of those programs or to further the goals of those programs.

(b) The Legislature may amend this chapter to reallocate the proceeds of bonds issued and sold pursuant to this part among the programs to which funds are to be allocated pursuant to this chapter as necessary to effectively promote the development of affordable housing in this state.

54009. Programs funded with bond proceeds shall, when allocating financial support, give preference to projects that are “public works” for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code and other projects on which all construction workers will be paid at least the general prevailing rate of per diem wages as determined by the Director of Industrial Relations.

CHAPTER 3. FISCAL PROVISIONS

54010. Bonds in the total amount of three billion dollars (\$3,000,000,000), exclusive of refunding bonds issued pursuant to Section 54026, or so much thereof as is necessary as determined by the committee, are hereby authorized to be issued and sold for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. All bonds herein authorized which have been duly issued, sold, and delivered as provided herein shall constitute valid and binding general obligations of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of both principal of and interest on those bonds when due.

54012. The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except subdivisions (a) and (b) of Section 16727 of the Government Code, and all of the provisions of that law as amended from time to time apply to the bonds and to this part, except as provided in Section 54028, and are hereby incorporated in this part as though set forth in full in this part.

54014. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this part, the committee is continued in existence. For the purposes of this part, the Housing Finance

Committee is “the committee” as that term is used in the State General Obligation Bond Law.

(b) The Department of Housing and Community Development may adopt guidelines establishing requirements for administration of its financing programs. The guidelines shall not constitute rules, regulations, orders, or standards of general application and are not subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) For the purposes of the State General Obligation Bond Law, the Department of Housing and Community Development is designated the “board” for programs administered by the department, and the California Housing Finance Agency is the “board” for programs administered by the agency.

54016. Upon request of the board stating that funds are needed for purposes of this part, the committee shall determine whether or not it is necessary or desirable to issue bonds, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and are not required to be sold at any one time. Bonds may bear interest subject to federal income tax.

54018. There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collections of state revenues to do or perform each and every act which is necessary to collect that additional sum.

54020. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this part, an amount that will equal the total of both of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out Section 54024, appropriated without regard to fiscal years.

54022. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of this part. The amount of the request shall not exceed

the amount of the unsold bonds that the committee has, by resolution, authorized to be sold, excluding any refunding bonds authorized pursuant to Section 54026, for purposes of this part, less any amount loaned pursuant to this section and not yet repaid and any amount withdrawn from the General Fund pursuant to Section 54024 and not yet returned to the General Fund. The board shall execute any documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated in accordance with this part.

54024. For purposes of carrying out this part, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of any amount or amounts not to exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold, excluding any refunding bonds authorized pursuant to Section 54026, for purposes of this part, less any amount loaned pursuant to Section 54022 and not yet repaid and any amount withdrawn from the General Fund pursuant to this section and not yet returned to the General Fund. Any amounts withdrawn shall be deposited in the fund to be allocated in accordance with this part. Any moneys made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from moneys received from the sale of bonds which would otherwise be deposited in that fund.

54026. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. Approval by the electors of this act shall constitute approval of any refunding bonds issued to refund bonds issued pursuant to this part, including any prior issued refunding bonds. Any bond refunded with the proceeds of a refunding bond as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

54028. Notwithstanding any provisions in the State General Obligation Bond Law, the maturity date of any bonds authorized by this part shall not be later than 35 years from the date of each such bond. The maturity of each series shall be calculated from the date of issuance of each bond.

54030. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

54032. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this part that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, the Treasurer may maintain a separate account for investment earnings, may order the payment of those earnings to comply with any rebate requirement applicable under federal law, and may otherwise direct the use and investment of those proceeds so as to maintain the tax-exempt status of tax-exempt bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

54034. All moneys derived from premiums and accrued interest on bonds sold pursuant to this part shall be transferred to the General Fund as a credit to expenditures for bond interest; provided, however, that amounts derived from premiums may be reserved and used to pay the costs of bond issuance prior to transfer to the General Fund.

SEC. 4. Article 5z (commencing with Section 998.600) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

Article 5z. The Veterans and Affordable Housing Bond Act of
2018

998.600. Together with Part 16 (commencing with Section 54000) of Division 31 of the Health and Safety Code, this article shall be known and may be cited as the Veterans and Affordable Housing Bond Act of 2018.

998.601. (a) The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), as amended from time to time, except as otherwise provided herein, is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article as though set

out in full in this article. All references in this article to "herein" refer both to this article and that law.

(b) For purposes of the State General Obligation Bond Law, the Department of Veterans Affairs is designated the board.

998.602. As used herein, the following terms have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) "Bond" means a veterans' bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.

(c) "Bond act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) "Committee" means the Veterans Finance Committee of 1943, established by Section 991.

(e) "Fund" means the Veterans' Farm and Home Building Fund of 1943, established by Section 988.

(f) "Payment Fund" means the Veterans' Bonds Payment Fund established by Section 988.6.

998.603. For the purpose of creating a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than one billion dollars (\$1,000,000,000), exclusive of refunding bonds, in the manner provided herein.

998.604. (a) All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

(b) There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the Payment Fund to pay the debt service all of the money in the fund, not in excess of the amount of debt service then due and payable. If the money transferred on the remittance dates is less than debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans' farm and home purchase bond acts pursuant to this chapter. This subdivision does not grant any lien on the fund, the Payment Fund, or the moneys therein to the holders of any bonds issued under this article. For the purposes of this subdivision, "debt service" means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

998.605. There is hereby appropriated from the General Fund, for purposes of this article, a sum of money that will equal both of the following:

(a) That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.

(b) That sum necessary to carry out Section 998.606, appropriated without regard to fiscal years.

998.606. For the purposes of this article, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of a sum of money not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this article. Any sums withdrawn shall be deposited in the fund. All moneys made available under this section to the board shall be returned by the board to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this article.

998.607. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this article. The amount of the request shall not exceed the amount of unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this article. The board shall execute whatever documents are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this article.

998.608. Upon request of the board, supported by a statement of its plans and projects approved by the Governor, the committee shall determine whether to issue any bonds authorized under this article in order to carry out the board's plans and projects, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out these plans and projects progressively, and it is not necessary that all of the bonds be issued or sold at any one time.

998.609. (a) As long as any bonds authorized under this article are outstanding, the Secretary of Veterans Affairs shall, at the close of each fiscal year, require a survey of the financial condition of the Division of Farm and Home Purchases, together with a projection of the division's operations, to be made by an independent public accountant of recognized standing. The results of each survey and projection shall be reported in writing by the public accountant to the Secretary of Veterans Affairs, the California Veterans Board, the appropriate policy committees dealing with veterans affairs in the Senate and the Assembly, and the committee.

(b) The Division of Farm and Home Purchases shall reimburse the public accountant for these services out of any money that the division may have available on deposit with the Treasurer.

998.610. (a) The committee may authorize the Treasurer to sell all or any part of the bonds authorized by this article at the time or times established by the Treasurer.

(b) Whenever the committee deems it necessary for an effective sale of the bonds, the committee may authorize the Treasurer to sell any issue of bonds at less than their par value, notwithstanding Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.611. Out of the first money realized from the sale of bonds as provided herein, there shall be redeposited in the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for the purposes specified in that section, and this money may be used for the same purpose and repaid in the same manner whenever additional bond sales are made.

998.612. Any bonds issued and sold pursuant to this article may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. The approval of the voters for the issuance of bonds under this article includes approval for the issuance of bonds issued to refund bonds originally issued or any previously issued refunding bonds.

998.613. Notwithstanding any provision of the bond act, if the Treasurer sells bonds under this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax, subject to any conditions which may be designated, the Treasurer may establish separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted under federal law necessary to maintain the tax-exempt status of the bonds or to obtain any other advantage under federal law on behalf of the funds of this state.

998.614. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B.

SEC. 5. Sections 3 and 4 of this act shall become operative upon the adoption by the voters of the Veterans and Affordable Housing Bond Act of 2018.

SEC. 6. Sections 3 and 4 of this act shall be submitted by the Secretary of State to the voters as a single measure, the Veterans and Affordable Housing Bond Act of 2018, at the November 6, 2018, statewide general election.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to maximize the time available for the analysis and preparation of the proposed issuance of bonds pursuant to Sections 3 and 4 of this act, it is necessary that this act take effect immediately.